



T E N N E S S E E H E A L T H C A R E

A S S O C I A T I O N

February 14, 2008

Mr. Darin Gordon, Deputy Commissioner
State of Tennessee
Department of Finance and Administration
Bureau of TennCare
310 Great Circle Road
Nashville, TN 37243

Dear Darin:

Thank you for meeting with Darrell and me on January 30 regarding the governor's proposed long-term care reform initiative. As we discussed in our meeting, THCA has for many years been supportive of fully funding the entire long-term care continuum ranging from home- and community-based services (HCBS) through nursing home care. We are appreciative of the opportunity to have an open dialogue with you regarding this matter and look forward to future discussions.

We want to get back to you with written comments and suggestions in response to your February 7 letter. While there will be many issues to be addressed in the coming months, the following are some of the important areas for your consideration:

Long-Term Care Delivery System – A thorough review of the present system needs to be conducted to make sure that it is functioning as efficiently as possible. Hopefully, improvements can be made in the timeliness of determining eligibility and in referring individuals to appropriate services. We agree with you that the number of patients that are currently in nursing homes that could be transitioned to lower levels of service is minor. This is reflected in the very small number of patients that were deemed appropriate for HCBS after the decertification of several nursing homes last year.

A comprehensive assessment of each new eligible recipient is needed to properly determine the level of services to be provided. It is recommended that this assessment continue to be conducted by TennCare in its central office and not delegated to subcontractors. This will ensure consistency in the medical evaluation of the patient, make certain that all providers in the system are treated fairly and eliminate any potential conflicts of interest in the placement process.

In addition, appropriate quality standards need to be enforced to ensure that each patient is receiving satisfactory medical care. As you are aware, nursing homes already have comprehensive annual facility surveys. Quality of care is a major issue to be addressed for HCBS recipients.

Nursing Homes as HCBS Providers – For more than a decade, THCA has encouraged its members to become involved as providers of HCBS. Many facilities have resisted expanding their services due to bureaucratic red tape, perceived bias among those assigned to refer recipients, and most importantly, lack of patient volume due to the limited number of individuals receiving HCBS.

In order for nursing homes to become more involved as HCBS providers, several things have to happen. First, delays in being authorized to deliver services need to be eliminated. Nursing homes participating in the Medicaid program should be deemed to be automatically qualified to deliver HCBS without going through an additional Medicaid application process. In addition, facilities should not be required to be licensed as a Personal Support Services Agency (PSSA) through the Department of Mental Health and Developmental Disabilities (MHDD) in order to provide services in the homes of patients.

Second, facilities need to be assured that they will be treated fairly in the new long-term care continuum both as HCBS and nursing home providers when recipients are referred for services. Bias towards any particular provider group should be eliminated if the long-term care continuum is to function appropriately.

Third, the reimbursement schedule for waiver services should be reviewed and revised as needed. For example, institutional respite payments should be set at the facility's prevailing daily Medicaid patient rate.

Finally, your recommendation that funding be set aside to provide training and technical assistance is very much appreciated. This would help not only with the recruitment of new HCBS providers, but would also help to ensure consistency of service as well. This relates back to making every effort to ensure that recipients receive satisfactory service.

We are also appreciative of your idea to provide incentive grants to help defray diversification costs. Depending upon the service to be provided, the start up costs to begin delivery of HCBS can be extensive. THCA supports the use of incentives to get more nursing homes involved with HCBS.

Acuity Based Medicaid Reimbursement – We are in agreement that an acuity based Medicaid reimbursement system should be developed and implemented. THCA has contracted with a nationally recognized expert in the development of acuity based reimbursement systems, Joe Lubarsky, to help guide us through the process. We anticipate that THCA will have a draft proposal of a new system to you by the end of this month. We will be happy to meet with you at

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that point to begin discussing the parameters of a new reimbursement system. It is our understanding that the system will be acuity based, include options for special needs care including ventilator dependent patients and is expected to be budget neutral.

As was discussed in our meeting, we feel that the new Medicaid reimbursement system needs to be phased in similarly to Medicare's transition to the RUGs format. A three or four year transition is recommended.

In addition, we are very appreciative that the state does not intend to reduce Medicaid funding for the 2008-09 fiscal year for nursing home services. At the same time, however, we certainly feel that nursing homes deserve to have a modest Medicaid rate increase for the 2008-09 fiscal year in accordance with our existing reimbursement system. Should additional funding become available during the budget preparation process, we would appreciate consideration for nursing homes.

Finally, THCA is committed to our continued partnership with the state to help fund the Medicaid program. Currently, about 25 percent of the nursing home Medicaid budget is funded through the proceeds and associated federal matching dollars from our provider tax. In addition, THCA has for many years worked with the state to develop other funding alternatives including intergovernmental transfers (IGT) and certified public expenditures (CPE). It is recommended that as the Medicaid program expands to include other provider groups that they be given an opportunity to support the program through a provider tax or other donation program to be approved by the federal government.

THCA is supportive of the Bredesen administration's efforts to reform the delivery of long-term care services. As has been the case for many years, THCA supports funding the full continuum of long-term care services and stands ready to work with you for the betterment of Tennessee's elderly and disabled.

Sincerely,

Ron Taylor
Executive Director

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Copy to: Patti Killingsworth